

## **Econ 311: Part 2: Section 3.2: Treatment Effects vs. Structural Parameters**

As previously noted, a central distinction made in this chapter is one between Marshallian causal parameters (or structural parameters) and treatment effect parameters. This distinction accounts for the two different cases for social experimentation that are made in the literature. It also accounts for the centrality of exogeneity assumptions in structural econometrics and their irrelevance in the treatment effect literature.

The goals of the literature on structural equation estimation and on the estimation of treatment parameters are different. As first formulated by Marschak (1953), the goal of structural estimation is to solve a variety of decision problems. Those decision problems entail such distinct tasks as (a) evaluating the effectiveness of an existing policy, (b) projecting the effectiveness of a policy to different environments from the one where it was experienced, or (c)

forecasting the effects of a new policy, never previously experienced. In addition, structural parameters can be linked to economic theory. Estimates of these parameters can be used to test propositions of the theory and to make quantitative estimates of the relative importance of different causes within a theory. Although Marschak was concerned about policy evaluation, similar distinctions arise in estimating the demand for goods. Structural methods can be used to estimate the